

441—185.102(234) Financial and statistical report. The Rehabilitative Treatment and Supportive Services Financial and Statistical Report, Form 470-3049, shall be the basis for establishing the rates to be paid to all providers, both in-state and out-of-state. The Rehabilitative Treatment and Supportive Services Financial and Statistical Report, Form 470-3049, shall be completed by providers according to the following requirements:

185.102(1) *Accounting procedures.* Financial information shall be based on the agency's financial records. Providers are required to comply with the following specific requirements:

a. Providers shall report on an accrual basis of accounting. Providers not using the accrual basis of accounting shall adjust amounts to the accrual basis when the financial and statistical report is completed. Records of cash receipts and disbursements shall be adjusted to reflect accruals of income and expenses.

b. Revenues shall be reported as recorded in the general ledger and adjusted for accruals. Allowance and expense recoveries shall be reflected as revenues.

c. Income received from fund-raising efforts or donations shall be reported as revenue on the financial and statistical report and used to offset fund-raising costs. Fund-raising costs remaining after the offset shall be an unallowable cost.

All contributions shall be accompanied by a schedule showing the contribution and anticipated designation by the provider. No private moneys contributed to the provider shall be included by the department in its reimbursement rate determination unless these moneys are contributed for services provided to specific individuals for whom the reimbursement rate is established by the department.

d. Depreciation expense reported on the Capital Asset Use Allowance Schedule shall be computed according to 42 CFR 413.130 as amended to September 23, 1992, and the method (straight line depreciation) used as described at 42 CFR 413.134(a)(3)(i) as amended to September 23, 1992. For assets acquired on or after November 1, 1993, useful lives may be based on the 1988 American Hospital Association publication "Estimated Useful Lives of Depreciable Hospital Assets." The 1981 edition of the AHA Guide shall continue to be used to compute useful lives of assets acquired prior to November 1993.

e. Assets shall be depreciated when the asset has a useful life of more than one year and a cost in excess of \$500.

185.102(2) *Cost allocation.* The cost allocation schedule shall be prepared in accordance with recognized methods and procedures, including the following:

a. Direct program expense shall include all direct client contact personnel involved in a program including the time of a supervisor of a program, or the apportioned share of the supervisor's time when the supervisor has supervised more than one program.

b. Expenses other than salary and fringe benefits shall be charged as direct program expenses when the expenses are identifiable to a program.

c. A multiple program provider shall establish a method of cost allocation acceptable to the department. All expenses which relate jointly to two or more programs shall be allocated to programs by utilizing a documented cost allocation method consistently applied. The allocation method shall equitably distribute indirect program costs to reflect the benefit of the cost incurred to all applicable programs.

d. Occupancy expenses shall be allocated on a space utilization formula.

e. Family-centered, family foster care or group treatment optional therapy and counseling services may have a rate determined in common.

Family-centered, family foster care or group treatment optional skill development services may have a rate determined in common.

All services with rates determined in common shall have their maximum occupancy costs established pursuant to subrule 185.105(5) for family-centered, family preservation, or family foster care.

All services with rates determined in common shall have their maximum administrative costs established pursuant to subrule 185.105(7) for family-centered, family preservation, or family foster care.

185.102(3) *Records retention.* All revenue and expenses reported on Form 470-3049 shall be supported by a provider's general ledger and documentation on file in the provider's office. Failure to

maintain records adequate to support the Rehabilitative Treatment and Supportive Services Financial and Statistical Report, Form 470-3049, may result in sanction or termination of the contract or other sanctions pursuant to rule 441—185.12(234). These records include, but are not limited to:

- a. Payroll information.
- b. Capital asset schedules.
- c. All canceled checks, deposit slips, invoices (paid and unpaid).
- d. Audit reports (if any).
- e. Board of directors' minutes (if applicable).
- f. Loan agreements and other contracts.
- g. Reviewable, legible census reports and documentation of units of service provided to department clients which identify the individual client shall be available on a daily basis and summarized on a monthly report. For nondepartment clients, sufficient documentation of utilization shall be maintained and made available to establish a complete unit of service count. The documentation prepared shall be retained by the provider for use at the time the financial and statistical report is prepared and for review by the department's fiscal consultant.
- h. Financial records must be retained for five years from the date of report submission as specified in 441—subrule 152.2(14).

185.102(4) Independent audits. When a provider has an independent audit conducted, the provider shall submit a copy of the independent audit report to the department within 30 days of receipt. A firm not related to the provider shall conduct the independent audit. The bureau of purchased services shall receive and maintain the report and provide a copy of the report to the bureau's fiscal consultant.

a. The department requires independent audits on an annual basis when a provider receives from the department \$500,000 or more from funds paid under contracts for rehabilitative treatment and supportive services and purchase of services for services provided in any state fiscal year.

(1) The legal entity that has contracted with the department must be the subject of this independent audit.

1. When the legal entity that has contracted with the department is a subsidiary of another legal entity and a separate independent audit of the contracting entity is not performed because a consolidated or combined audit of the larger entity is required by American Institute of Certified Public Accountants (AICPA) standards, the department will accept the consolidated or combined audit if supplemental schedules that separately identify the financial statements of the contracting legal entity are provided.

2. When contract services are provided by a subsidiary entity of the contracting entity and a consolidated or combined audit is performed, the department may require supplemental schedules to separately identify the financial statements of the subsidiary entity and the contracting entity. If a consolidated or combined audit is not performed, the department may require that the subsidiary entity also be the subject of an independent audit.

(2) Required audits shall be completed within six months of the end of a provider's established fiscal year end for the provider's established fiscal year that ends during the state fiscal year in question. The bureau of purchased services may approve an extension of this time period upon written request from the provider.

(3) Not-for-profit providers shall ensure that the audit of their financial statements follows one of the uniform audit report formats recommended by the American Institute of Certified Public Accountants in the most recent version of the AICPA Audit and Accounting Guide for Not-for-Profit Organizations.

(4) Other types of providers shall ensure that the audit of their financial statements follows the formats prescribed by the AICPA for their specific industry.

b. Providers receiving less than \$500,000 from funds paid under contracts for rehabilitative treatment and supportive services and purchase of services for services provided in any state fiscal year annually are not required to have an independent audit. They shall submit a copy, as set forth in this rule, of any independent audit report they receive as a result of conducting an independent audit.